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ABSTRACT

Guidelines for the development of courses in finance for master of business administration (MBA) programs are established in order to strengthen and diversify their offerings. A survey of business faculty members shows there is often a lack of concentration on finance and marketing in MBA programs. The following procedures should be implemented in order to develop courses in finance for MBA programs: (1) an analysis of new accounting pronouncements and new textbooks or articles on the subject; (2) establishment of goals and objectives for any new course; (3) selection of text and content of the course; (4) planning of instructional methodology; (5) determining means of evaluating the students; (6) obtaining college approval of the new course; and (7) providing periodic course evaluation. The introduction and approval of courses in finance has many implications for a college including the opening of the door to the introduction of other finance courses and an MBA program in finance. Introducing such courses could be a major landmark in MBA programs that could lead to increased enrollment, thus ensuring the continuation of the overall MBA program and helping ensure the future success and survival of the college. A high priority recommendation is that any new course be made available to the students as quickly as possible. Contains 24 references.(SM)

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THE DEVELOPMENT OF COURSES IN FINANCE FOR MASTER OF BUSINESS ADMINISTRATION (MBA) PROGRAMS

by

James F. Newman, Ed.D.

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ABSTRACT

THE DEVELOPMENT OF COURSES IN FINANCE FOR
MASTER OF BUSINESS ADMINISTRATION
(MBA) PROGRAMS

James F. Newman, Ed.D.

The purpose of this paper is to establish guidelines for the development of courses in Finance for MBA programs in order to strengthen and to diversify the offerings within these programs. In a survey of business faculty members, it was noted that often there is a lack of concentrations in MBA programs, particularly in the areas of Finance and Marketing, both of which are extremely important in the world of business (Newman, 1985:12). Based upon these observations, it was decided to examine the procedures necessary to develop courses in Finance.

Goals and objectives for a course must first be established and then a text selected that will satisfy these goals and objectives. The text should provide the proper up-to-date content without duplicating that which is being taught in other courses. Instructional strategy is generally left to the individual professor teaching the course(s) as is the method of evaluating students.

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INTRODUCTION

Cook (1981:1) has written:

> Man has the unique opportunity to decide what he will teach himself. In so doing, he determines what he will learn and thus become. Nowhere is there etched in stone what ought to be the curriculum of our colleges, schools, business training programs, or the like.

With this in mind, an MBA program should be examined for strengths, weaknesses, opportunities and threats as perceived by the business administration faculty (Newman, 1985). One weakness often perceived is the lack of a concentration in Finance. This can be a serious problem within MBA programs since it may limit enrollment. In discussions with various business people, the Finance functional area was stressed as being important in the world of business. In a May 1982 survey of Long Island students taking the SATs, 929 students out of 8918 respondents listed Business/Commerce, Business Management/Industrial, Finance and Banking as preference areas of study and career (Newman, 1982:1). In addition, a survey of Dowling College undergraduate students was conducted in 1983 to determine how many would change their major from the then offered Management and Accounting majors to other majors such as Finance or Marketing. Ninety-four students, almost 20% of the respondents, selected Finance. There was no reason to believe that this same desire did not exist on the part of MBA students. To determine if this assumption was valid, a

sample survey was made of MBA students enrolled at Dowling College on Long Island in the Summer of 1985. Sixteen students in two classes participated; ten responded that they would like the College to offer an MBA in Finance. Five responded that they would take a course in International Finance if offered; nine would take a course in Investment Analysis and/or Financial Statement Analysis. Based upon these observations, a decision was made to examine the procedures necessary to develop courses in Finance.

Background and Significance

A controller is the financial executive of a large or medium sized corporation who combines the responsibilities for accounting, auditing, budgeting, profit planning, performance reporting, tax control, and other corporate activities (Goodman and Reece, 1978:66). Essentially, the function of a controller is to maintain some type of control and measurement of operations of a business. In this role, the controller has been cast as an internal quantitative consultant who through various techniques, disciplines and objectivity can assist in many areas of a company to optimize the company's programs. The controller is a financial analyst and strategist who will play a more important role in decision making in the future (Newman, 1982:1). The Financial Executives Institute outlines a controller's functions:

1. Planning for control.
2. Reporting and interpreting.
3. Evaluating and consulting.
4. Tax administration.
5. Governmental reporting.
6. Protection of assets.
7. Economic appraisals.

Controllership tends to be oriented toward providing support for the achievement and maintenance of management controls (Knight, 1982:88). Financial managers are called upon by top management for data, analysis, and advice related to a vast array of decision making activities. The demand for competent financial managers is expanding since the lack of financial acumen is a major cause for business failures.

In most firms, responsibility for financial planning and management belongs to the chief financial officer, the controller, who must analyze past and present programs to plan and prepare future programs and long range capital expenditure proposals. A firm operates not only within itself but within the framework of the general economic environment. The controller is involved in forecasting the outlook of the firm, the general outlook for the industry within which it operates, the political environment within which it must operate and the general economic outlook for the nation. In many instances, a controller must also understand the international

environment in which the firm must operate. A controller must also be able to evaluate the multitude of investment programs to be considered by top management since the controller has the task of maximizing the wealth of the shareholders as reflected in a firm's stock price. The controller must know management's attitude toward risk, understand their financial goals, consider company policy and objectives, available capital and recommend the best course(s) of action. The financial officer must render sound economic judgments as well as sound custodial financial judgments.

In administering a firm's funds, the financial officer must of necessity become involved in all company activities and must be involved in financial control as well as financial planning in order to increase the firm's rate of return. By controlling continuing activities, the financial officer helps direct a firm toward its goals.

During the past decade, profound changes have taken place that have changed management thinking with respect to the role of the chief financial officer. Problems have become more complex and require imaginative solutions and decisions. Social demands have changed the nature and motivation of many corporate actions. In addition, government regulations have placed additional demands on the financial officer.

To be effective, the financial manager must be part of the top management team. To be part of a top

management team, the financial officer must be prepared to assume a share of the responsibility for running a business, for providing financial data, and for participating in management deliberations. The financial officer is uniquely qualified for this role as he has contact with every functional area of the business. To be involved in every functional area of the business, the financial officer must be professsionally trained, be able to organize ideas, time, functions, and finances and form logical conclusions. The education of a financial officer must, of course, include finance but must also include a broad academic exposure to other disciplines of management such as accounting, economics, investments, business law and data processing. The education of a financial officer should also include basic philosophical studies aimed at broadening his intellectual horizon and teaching him to think in a clear, logical, thorough and disciplined manner (Bennett and Newman, 1984:23).

Realizing that many MBA programs are lacking courses that prepare students for important Finance positions, this paper is being presented. It is intended to assist those wishing to prepare students for careers in controllership and financial management as well as to qualify for the Certificate in Management Accounting (CMA), the private sector counterpart of the Certified Public Accountant (CPA). CPA candidates also find Finance courses most useful for exam and career preparation.

Future Chartered Financial Analysts (CFA), Chartered Life Underwriters (CLU), bank lending officers, credit analysts, and investors and/or potential investors, as well as others with financial responsibilities also need a good grounding in Finance to assist them in their future financial decision making.

PROCEDURES

In an effort to develop courses in Finance for Master of Business Administration programs, the following procedures should be implemented. A careful analysis must be made of new accounting pronouncements, new textbooks and articles on finance and financial management.

Goals and objectives for any new course must be established. Goals and objectives are necessary to legitimize a course and give it direction, both of which are necessary. Goals are "generally what is to become of the students" (Cook, 1981:24). Goals note the general direction of desired outcomes (Hunkins, 1980:19). Suggested goals:

1. To prepare students for careers in Finance.

2. To foster clear and critical thinking.

3. To enable students to understand the financial officer's responsibility for the analysis and interpretation of financial statements, the management of the organization's asset and financial structure, and the role of the finance officer in financial management.

Objectives are much more specific, however. Carlisle (1979:482) stated that objectives are general

statements of a future result or condition an organization desires to achieve. An objective is "a specific, observable student action or product of student action." An objective must have three parts: 1) specify something the student is to do; 2) state the circumstances under which he will do it; and 3) note the degree of accuracy with which he will perform the action (Cook, 1981:24).

Suggested objectives:

1. To provide the student with an understanding of the key aspects of decision making and the role of Finance in that decision making.

2. To provide the student with an understanding of the processes and methodology of financial analysis.

3. To provide the student with an understanding of financial markets and financial instruments.

4. To provide the student with the knowledge and understanding of the accounting concepts and principles which underly a firm's financial statements.

5. To provide the student with an understanding of the processes of income determination and asset and liability measurement and the possible distortions to which they may be subject.

6. To provide the student with an understanding of the data presented on and extracted from a firm's financial statements so that the student may properly interpret these statements.

Text and Content

After considering the above listed goals and objectives, a text and the content of the course must be selected. To do so requires answering such questions as:

1. What content is needed by the clientele?

2. Are there certain needs which future employees are likely to have?

3. Is the content likely to be approved by the curriculum committee or other body within the organization?

4. Does the content duplicate that of other courses or training programs in the organization?

5. Does the content achieve a proper "fit" with that of other courses or other training programs within the organization?

6. Is the proposed content up-to-date knowledge?

7. Will the proposed content assist the educational unit in meeting its goals? (Cook, 1981:29-30).

The questions posed by Cook (1981:29-30) must all be answered satisfactorily. To answer these questions requires an analysis of current texts, topical articles, and discussions with finance and accounting professionals. The content needed by the clientele, as determined by these professionals, must be selected. Future content requirements should not vary greatly from the present. No duplication of other courses should result and the new course(s) must have a proper "fit" with other courses. To ensure that up-to-date knowledge will be taught, supplementary material, mainly Financial Accounting Standards Bulletins (FASBs), should be utilized. Keeping abreast of current pronouncements (FASBs) of the Financial Accounting Standards Board should be an integral part of Finance courses, thus up-to-date knowledge will always be taught. Using information about the requirements for a Finance course, a text must be selected that will appropriately cover the necessary material. Financial officers require a solid foundation in accounting as well.

The major purpose of accounting is to provide data, quantitative in nature, to users of financial statements so that they may make sound financial decisions. These decisions, however, can only be made after careful analysis of the financial statements and their component elements. Gibson and Frishkoff (1983:2) stated that in order to analyze financial statements properly, the users of such financial statements must have a basic understanding of the concepts and principles underlying their preparation as well as an understanding of the basic elements of such financial statements. Financial statements are comprised of five basic elements - assets, liabilities, shareholders' or owners' equity, revenue and expenses. These particular accounting elements and their interrelationships must be analyzed in order to understand the published and/or unpublished financial statements and to be in a position to utilize their contents in financial decision making.

Instructional Methodology

Dressel (1982:401-402) states that instruction that provides structure has many synonyms: catechization, coaching, schooling, teaching, tutoring, conditioning, inculcation, drilling, indoctrination, rehearsing, training, pedagogy, didactics, eduction, education, guidance, exemplifying, and modeling. Some emphasize teacher activity, some a routine process yielding rote

learning while some suggest a systematic or scientific approach to instruction and others suggest influencing learning by motivation and suggestion. Modeling and exemplifying present the teacher as a model or exemplar for the learner.

Instruction is the means employed by teachers, designers of materials, curriculum specialists, and others whose purpose it is to develop an organized plan to promote learning (Gagne and Briggs, 1974:19). Strategies will vary with individual instructors who determine the desired performance objectives. Strategy has been described as the path to the objective/goal. Many paths exist and each instructor may arrive on a different path. No restrictions should be imposed upon the instructor nor should any explicit guidelines be established. Academic freedom demands this.

Student Evaluation

A means of evaluating students, consisting of examinations, term papers, term projects, oral presentations, participation or some combination thereof should be established by the instructor. Academic freedom also plays a role in student evaluation procedures, therefore the instructors teaching the course(s) are and should be responsible for establishing the evaluation procedures. The important concern is whether the evaluation methods properly determine the extent to which

the students have learned the course content and have met the performance objectives.

College Approval

Using the proper college forms, new courses are usually proposed through the proper college channels. These channels may include the Business Administration Division, a Curriculum Committee, a Faculty-Administration Senate, the Administration and/or the Board of Trustees. Assuming a course is approved at all college levels and is approved by the proper state authorities, the course may then be offered.

Course Evaluation

Periodic evaluations of the course(s) should be undertaken by the faculty in conjunction with the instructor(s) teaching the course(s) to determine if the course goals and objectives are being met. Cook (1981:38) stated that some of the following may be questions which should be considered at this level:

1. Did our students learn the intended content?

2. How do our students feel about the manner in which they are being taught?

3. How do the performances of our instructors rate?

Of course, these questions can actually be answered only after a course has been taught but these questions should be considered when developing each individual course. Evaluations by students may be one method used to

determine the effectiveness of instruction and whether the goals and objectives, as perceived by students, are being met.

DISCUSSION, IMPLICATIONS AND RECOMMENDATIONS

Discussion

In selecting a text for a Finance course, certain questions should be answered. What content is needed by the clientele? This information can be determined through a study of prior Certified Public Accounting and Certified Managerial Accounting examinations as well as a number of major firms' annual reports. Various textbooks can and should be examined in order to select one that is considered appropriate. The text should have content that does not duplicate that of other courses, does achieve a proper "fit" with that of other courses, and contains up-to-date knowledge.

Gitman (1985:13) states that students need the skills and knowledge to understand financial management and must have analytical/problem solving/creative abilities. One goal of Finance courses should be to provide students with opportunities to improve upon their abilities to understand, analyze critically and communicate about complex issues and to participate constructively in a changing world. Another goal should be to provide students with opportunities enabling them to advance in their economic and professional lives.

The aim of a college should be to provide students with a knowledge of business and the skills necessary for success in business. A college should provide students with an education that develops many different skills, some general and some specific; offer courses of study relevant to career opportunities; equip students with the skills needed for employment; prepare students for career advancement and flexibility through the development of independent learning and sound judgment. A college should assure that prospective graduates have mastered the fundamental skills of analysis and communication and have achieved competence in their field of study.

Implications

The introduction and approval of courses in Finance has many implications for a college including the opening of the door to the introduction of other Finance courses and an MBA program in Finance. Properly implemented, Finance courses will make a college and its MBA program much stronger. Introducing such courses could be a major landmark in an MBA program which could lead to increased enrollment thus ensuring the continuation of the overall MBA program and help ensure the future success and survival of a college.

There are implications that may affect students. Introducing Finance courses enables them to broaden their knowledge in an area that is of vital concern to top

management. Knowledge in Finance enables graduates to take a place in top management and have a better understanding of a firm's operations, its transactions and their effect on the financial life of a firm. Efficient managers must be able to analyze a firm's financial status. This requires having the proper tools and knowing how to use them. Properly implemented Finance courses will provide these tools and the knowledge of their use. Executives, knowing a college is committed to expanding its program, will be more apt to encourage employees to attend that particular college.

Recommendations

A high priority recommendation is that any new course(s) be made available to the students as quickly as possible. Discussions and/or correspondence with persons in the business community should include the information about the introduction of such courses. Advisors should be made aware of the value of Finance courses in the development of managers in general, not just in Finance.

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